

Form ADV Firm Brochure

**NRSmith and Associates, PS
Personal Financial Planning
Investment Management Services**

**Updated Amendment
February 28, 2020**

While this Brochure and related Supplement provide information about the qualifications and business practices of NRSmith and Associates, PS, this Amendment provides specific information relating to the newest member of our financial planning management team – Ralph Latza, CFP (see pages 31-32). A significant change like this is required by our regulatory agency, the Washington State Department of Financial Institutions.

If you have any questions or concerns about the contents, information on our services, fees, other business activity, or backgrounds of our advisors, please contact Norman R. Smith, Chief Compliance Officer, who is responsible for NRSmith and Associates, PS' regulatory and its business practices at (360) 754-9475.

Registration with the Washington State Department of Financial Institutions as a registered investment advisor does not imply a certain level of skill or training.

ITEM 1. COVER PAGE

Main Office Address: 2120 Caton Way SW, Olympia, Washington 98502-1106
Main Phone: (360) 754-9475
Fax Number: (360) 786-8174
Web Site Address: <http://www.NRSmith.com>
E-mail Address: nsmith@NRSmith.com
Effective date: **February 28, 2020**

Although this disclosure provides unchanging information about our business, practices, and advisors since our December 31, 2019 Amendment, it provides updating information about our newly hired financial advisor – Ralph Latza. Ralph joined our firm on February 13, 2020. His education, experience, and qualifications are described in Item 2, pages 31-32, of this brochure. Ralph is well qualified and a welcome addition!

Any questions regarding the contents of this Brochure and Supplement should be addressed to Norman R. Smith, Chief Compliance Officer, who is responsible for NRSmith and Associates, PS' regulatory requirements at (360) 754-9475 or at the address/email above.

ITEM 2. SUMMARY OF MATERIAL CHANGES

Assets under management (AUM) remain less than \$100 million. There are no significant changes in policies, assets under management, or clients served since the time of our last Amendment dated December 31, 2019.

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SUMMARY: ABOUT NRSMITH AND ASSOCIATES, PS

NRSmith and Associates, PS provides financial planning and investment advisory services to individual clients, business entities, qualified retirement plan sponsors, and trusts. We are in our 43rd year of operation. We are a fee-only firm, and we sign a Fiduciary Oath for each of our clients to act in their best interests at all times. As of February 28, 2020, our firm had approximately \$67 million of assets under advisement.

We furnish personal financial planning services and newsletters to clients as an integral dimension of the practice of public accounting. As an extension of this personal financial planning, we provide specific investment management services under an institutional agreement with Charles Schwab & Co., Inc. (Schwab).

With regard to our investment philosophy, we believe that our clients are best served, in the context of conservative investment portfolios, by weighting their portfolios toward small capitalization and value stocks, using broad diversification. This often permits a lowering of the client's overall allocation to equities, should the client so choose, which in turn increases the allocation of a client's portfolio toward short-term and mid-term fixed income investments of generally high quality. Our research has shown that this usually results in less volatility for our clients' portfolios, with likely similar long-term (15 years or longer) portfolio returns. This is an application of what has become known as Modern Portfolio Theory.

NRSmith and Associates, PS generally recommends institutional-class stock mutual funds with low annual expense ratios, and extremely low internal transaction costs. At times we may recommend other low-cost investment solutions, such as low-cost bond funds, individual fixed income securities, and other products. For more on our investment philosophies, and the risks of our strategies and/or specific investments recommended, please refer to Item 8, Methods of Analyses, Investment Strategies and Risk of Loss.

We actively seek to avoid, or at least minimize, conflicts of interest which may exist between our firm and our clients. We sell no products. We accept no commissions. We do not recommend any fund which possesses a 12b-1 fee. However, all investment advisory firms will likely possess some unavoidable conflicts of interest. In those instances when conflicts of interest arise, NRSmith and Associates, PS has adopted policies which seek to keep our clients' best interests paramount at all times. See Items 5, 11 and 12 of this Brochure, and other items, which explore in further detail how we act to keep our clients' best interests first at all times during the course of our relationship.

More information regarding our firm is found in the pages that follow. Additional information, articles, and newsletters prepared by our firm's financial advisors, as well as the Financial Planning section, can also be found on our website at www.NRSmith.com.

ITEM 4. ADVISORY BUSINESS

Our Firm's History

NRSmith and Associates, PS is a Certified Public Accounting and Financial Planning firm located in Olympia, Washington. When it was originally formed in May 1976, its primary business was to provide professional accounting, tax services, and management consulting to businesses, organizations, individuals, and estates. It is fortunate to be working with many second and third generation clients. Since 1990, the investment advisors have developed a highly skilled investment management team which provides clients not only investment management services but also the umbrella services of a reputable certified public accounting firm, which includes personal financial planning.

In addition to investment management, the financial planning services include:

- personal goals setting, budgeting, major expenditure planning;
- risk assessment;
- income tax planning and research;
- estate tax planning and gifting programs;
- retirement planning;
- business transition planning, as well as
- traditional filing of income tax returns.

Our Principal Owner

NRSmith and Associates, PS is a professional service corporation with a fiscal year end of December 31. The president and founder is Norman R. Smith. The decisions of a strategic and administrative nature for the firm are undertaken by him as the President of the corporation.

As of February 28, 2020, NRSmith and Associates, PS provided advice on approximately \$67 million dollars of financial assets for approximately 112 individuals, pension and profit sharing plans, trusts, estates, and business entities. These include all financial assets of clients who engage NRSmith and Associates, PS for ongoing advice on their investment portfolios, whether continuous or periodic in nature. These assets represent funds that are managed on a discretionary basis.

Non-Participation in Wrap Fee Programs

NRSmith and Associates, PS, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisors) and the execution of client transactions.

Services Provided to Meet Client's Needs

Generally, advisory services are tailored to meet the needs of individual clients. While model portfolios may be utilized for some clients, the overwhelming majority of investment portfolios are individually designed. Additionally, financial planning, estate planning, tax planning, and risk management planning services are generally delivered upon client's request for such services, with planning issues prioritized and then addressed, either all at one time or over the course of several meetings.

As appropriate for the individual client, a conference with their advisor is conducted at least annually, and sometimes more often. At the review, any changes to the client's financial situation, the investment portfolio upon which advice is provided by NRSmith and Associates, PS, and planning issues are discussed.

After consultation with their advisor, clients may impose restrictions on investing in certain securities or types of securities. This most often occurs when clients request certain social investing needs be addressed, such as through the use of mutual funds which avoid investments in certain companies. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments. NRSmith and Associates, PS advisors listen carefully during these conferences to abide by client's instructions.

Our Policies on Class Actions, Bankruptcies, and Other Legal Proceedings

Clients should note that NRSmith and Associates, PS will not advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct NRSmith and Associates, PS to transmit copies of class action notices to the client or a third party. Upon such direction, NRSmith and Associates, PS will make commercially reasonable efforts to forward such notices in a timely manner.

ITEM 5. FEES AND COMPENSATION

How Fees Are Calculated

NRSmith and Associates, PS fees for investment portfolio management are as follows:

Example Calculation

<u>Amounts of Assets Under Advisement</u>	<u>Quarterly Fee</u>	<u>Annual Basis</u>
First \$500,000	.25%	1.00%
Next \$200,000	.1875%	.75%
In excess of \$700,000	.125%	.50%
Example: Client "A" has \$850,000 AUM		
First \$500,000 @ .25%	\$ 1,250.00	
Next \$200,000 @ .1875%	375.00	
Next \$150,000 @ .125%	<u>187.50</u>	
Total quarter's fee for example Client "A"	<u>\$ 1,812.50</u>	
Example: Client "B" has \$3,585,600 AUM		
First \$500,000 @ .25%	\$ 1,250.00	
Next \$200,000 @ .1875%	375.00	
Next \$2,885,600 @ .125%	<u>3,607.00</u>	
Total quarter's fee for example Client "B"	<u>\$ 5,232.00</u>	

Billing amounts are based upon the value (market value or fair market value in the absence of market value) of the client's account(s) (including both securities and cash) at the end of the previous quarter; see table above (or, for new clients, upon the date received by custodian into their respective total account(s) and prorated based on the number of days divided by total number of days remaining in the

quarter times the appropriate rate for AUM). Valuations are derived from recognized and independent pricing sources, such as Schwab Institutional, or other custodians. The fee arrangement is discussed and communicated with clients under a Letter of Agreement – Investment Management; these supervisory and managing investment advisory services are based on a percentage of gross assets and billed in advance on a quarterly basis, as described above.

Minimum and Maximum Fees

NRSmith and Associates, PS does not establish a specific minimum dollar value of assets or other conditions for starting or maintaining an account. There is no maximum amount of advised-upon assets or fees. All fees set forth above may be modified or changed by NRSmith and Associates, PS upon 30 days' advance written notice to the client. All fees are negotiable. Factors involved in negotiating fees include whether the client is related to an employee or another client (such as, grandparent, parent, sibling, grandchildren and so forth). Our employees are not charged fees on either their accounts or those of immediate family members.

Additional Fees Charged for Specific Services

A client may engage NRSmith and Associates, PS, for personal financial planning services other than investment management services. These services could include goal setting, risk management, development of general investment plans not involving securities, retirement and education funding, income and estate tax strategies, and estate planning among other personal financial planning services.

A client may affirmatively elect to engage NRSmith and Associates, PS on an hourly basis for investment planning only at the rate of \$220 per hour. This election is done in the engagement letter described below. Additional services including goal setting, risk management, development of general investment plans not involving securities, retirement and education funding, income and estate tax strategies, and estate planning among other personal financial planning services would be at a rate of \$200 per hour. If the client works with a financial services assistant, they would expect to receive such services at a maximum rate of \$175 per hour. If the client would like additional services as described through any financial assistant, it would be at the maximum rate of \$130 per hour.

If the client elects additional services they will be covered by a separate Letter of Agreement (Non-Investment Personal Financial Planning Services) that states the services to be provided, fees for services and schedule for delivery of services in accordance with standards set forth by the American Institute of Certified Public Accounting Statements on Responsibilities in Personal Financial Planning Practice. Such Letter of Agreement is approved by client signature prior to the implementing of hourly services. These services are specific to the client, directed by their needs and not added to these investment management services.

If it becomes necessary to modify the services, such modification shall be done by change order approval by client.

Engagement Letters

Thus, services are put forth either in Letter of Agreement – Investment Management or Letter of Agreement – Non-Investment Personal Financial Planning Services, or both.

When Fees Are Paid

Fees are billed and paid quarterly, in advance of the quarter, and are based upon the values of the financial assets upon which advice is provided as of the end of the current quarter.

How Fees Are Paid

Management fees are deducted from clients' accounts, or paid directly by check by the client following receipt of a statement, or some combination of the foregoing, as the client approves.

Return of Unearned Fees Upon Termination

Should a client terminate his or her engagement of our firm during a quarter, for any reason, the fee for such quarter is prorated and the prorated unearned amount is refunded to the client.

Other Fees or Expenses Paid in Connection with Custodians

All fees paid to NRSmith and Associates, PS for investment advisory and financial planning services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and possibly a distribution fee. Additionally, mutual funds incur transaction costs and opportunity costs, which are not disclosed in the fund's prospectus or Statement of Additional Information, but which may be estimated.

For mutual funds other than One Source Funds for which there are no transaction fees, the client's transaction charge is based on the principal amount of the transaction as charged by Schwab.

NRSmith and Associates, PS almost always uses no-load mutual funds. We may rarely use load funds that charge a commission when the contribution to the portfolio justifies such use. NRSmith and Associates, PS will credit such commissions directly to the client's account so that we do not receive any such compensation. NRSmith and Associates, PS will not use other investment vehicles prior to obtaining client's specific permission.

If other financial planning beyond investment management is deemed appropriate, NRSmith and Associates, PS will discuss such needs with the client and not commence such planning without obtaining permission usually in an engagement letter. Such planning is rendered using our standard fee schedule.

For a discussion of our practice in recommending brokers (custodians) to our clients and negotiating brokerage fees on their behalf, please see Item 12, Brokerage Practices.

Comparable Services

NRSmith and Associates, PS believes that the charges and fees offered are competitive with alternatives available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of NRSmith and Associates, PS. In that case, the client would not receive the services provided by NRSmith and Associates, PS which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and

objectives, undertake a disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid emotional reactions to shorter-term market events. Also, some funds may not be available to the client directly without the use of an investment advisor granted access to such funds.

Conflicts of Interest Relating to the Fees Received/Percentage-Based Compensation

Our investment management clients pay NRSmith and Associates, PS fees based upon a percentage of the assets we advise upon. This is a very common form of compensation for registered investment advisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (NRSmith and Associates, PS does not accept commission-based compensation of any nature, nor does it accept 12b-1 fees). Asset-advised-upon-percentage method of compensation can still at times lead to conflicts of interest between our firm and our client as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.), and the amount of funds to place in non-managed cash reserve accounts. We have adopted internal policies to properly manage these and other potential conflicts of interest. Our goal is that our advice to clients remains at all times in their best interests, disregarding any impact of the decision upon our firm.

This method of compensation does align NRSmith and Associates, PS interests with the client's, because our compensation increases when the assets we manage for clients increase. However, our revenue also may be increased or decreased due to market fluctuations determined predominately by economic factors beyond our control. These market fluctuations would not actually reflect the value we add to investment management. To counter these disadvantages, we will provide clients on a quarterly and annual basis a comparison of market performance to the performance of their account in easy-to-understand graph form, using appropriate indices. To make clients aware of the fees we charge, NRSmith and Associates, PS provides quarterly billing statements which detail the dollar amount being charged, even though these amounts are withdrawn directly from the client's account.

NRSmith and Associates, PS also reviews annually and in person the impact client's investments have on their tax, insurance, and estate planning, as well as the progress toward personal goals.

Retainers/Pre-Paid Fees

Dependent upon the professional judgment of advisors, a retainer for future services may be obtained. These are prepaid fees to be applied to future services.

Conflicts of Interest Between Clients

NRSmith and Associates, PS's relationship with each client is non-exclusive; that is, NRSmith and Associates, PS provides investment advisory services and financial planning services to multiple clients. NRSmith and Associates, PS seeks to avoid situations in which one client's interest may conflict with the interest of another of its clients. NRSmith and Associates, PS' policy is to make all investment allocations dependent on the client's portfolio specific needs.

Cancellation and Termination of Advisory Agreement

Clients may cancel an advisory agreement without penalty by providing written notice of such cancellation to NRSmith and Associates, PS within five (5) business days of the date of signing the agreement. Either party may terminate the agreement without penalty upon notice in writing to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro-rata to the date of termination. Termination of an agreement will not affect:

- (1) Validity of any action previously taken by NRSmith and Associates, PS under the agreement;
- (2) Liabilities or obligations of the parties from transactions initiated before termination of the agreement; or
- (3) Client's obligation to pay advisor fees (prorated through the date of termination). Upon the termination of the agreement, NRSmith and Associates, PS will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a client's account.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Item 6 is not applicable to NRSmith and Associates, PS. NRSmith and Associates, PS does not accept performance-based fees, nor manage accounts which impose performance-based fees. Performance-based fees are fees based on a share of capital gains or capital appreciation of the assets of a client (such as a hedge fund or other pooled investment vehicle). Such acceptance or management would pose a significant conflict of interest to our clients because performance-based fees may provide an incentive to favor such accounts over the accounts of clients under our other advisory programs. NRSmith and Associates, PS considers avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients.

ITEM 7. TYPES OF CLIENTS

NRSmith and Associates, PS provides investment advice primarily to individuals, pension and profit sharing plans, trusts, estates, and business entities.

Required Minimum Client Assets under Advisement. At this time, NRSmith and Associates, PS has not set limits on a client's total assets under management. This topic is also addressed in Item 5 above.

ITEM 8. METHODS OF ANALYSES, INVESTMENT STRATEGIES AND RISK OF LOSS

NRSmith and Associates, PS provides the investment strategy and its implementation for all clients, utilizing a variety of securities or pooled investment vehicles (such as mutual funds). Clients of NRSmith and Associates, PS receive the benefit of NRSmith and Associates, PS developed investment philosophies and strategies, research and due diligence, account monitoring, and personal financial planning recommendations.

NRSmith and Associates, PS investment management team (Norman R. Smith, Stacie R. Nemetz, Caroline O'Neill, and Ralph Latza) establishes the overall investment strategies employed by the firm, reviews the brokerage firms we recommend to our clients, and approves of particular investments which may be used by advisors of our firm. See Part 2B, Brochure Supplement, for information related to our investment management team.

Expansive academic research, investment information, and certain proprietary analyses are drawn upon by NRSmith and Associates, PS, in order to provide sound investment advisory services. Each of NRSmith and Associates, PS' clients receives a written Investment Policy Statement, which sets forth a recommended strategic asset allocation.

Specific no-load (no commissions, no 12b-1 fees) mutual funds and other investment products and securities are then recommended to clients. Clients' portfolios are then periodically monitored, and changes to investment portfolios are suggested when appropriate. A disciplined approach to rebalancing is employed in order to maintain asset class exposures within desired risk tolerance, subject to variances permitted for tax reduction, tax planning, or other reasons.

Methods of Analyses and Investment Strategies

In designing investment plans for clients, NRSmith and Associates, PS relies upon the information supplied by the client and the client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management planning, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk.

This information becomes the basis for the strategic asset allocation plan which we believe will best meet the client's stated long-term personal financial goals. Strategic asset allocation provides for investments in those asset classes which NRSmith and Associates, PS believes (based on historical data and NRSmith and Associates, PS' analysis) will possess appealing combinations of return, risk, and correlation over the long term.

Considerable academic research reveals that strategic asset allocation is determinative of the majority of the expected long-term gross returns of investor's portfolios. Our selection of asset classes is driven by research into global asset classes by researchers.

The investment advice which NRSmith and Associates, PS provides is based upon long-term investment strategies which incorporate the principles of Modern Portfolio Theory. The utilization of several different asset classes as part of an investor's portfolio is emphasized, as this has been shown to usually effect a reduction in portfolio volatility (i.e., the standard deviation of the portfolio returns) over long periods of time. NRSmith and Associates, PS allocates and diversifies the client's assets among various asset classes and then among individual investments, following the investment policy agreed to by the client.

NRSmith and Associates, PS's investment approach is firmly rooted in the belief that markets are efficient (although not always rational) and that investors' gross returns are determined principally by asset allocation decisions. A focus is provided on developing and implementing diversified portfolios, principally through the use of low-cost and tax-efficient passively managed stock mutual funds that are generally available only to institutional investors and clients of advisors granted access to such funds.

Investment policy and overall portfolio weightings as between equities and fixed income investments are based upon each client's needs and desires, perceived risk tolerance and the need to assume various risks, and investment time horizon. The portfolios of clients may then follow models designed by NRSmith and Associates, PS to fit the overall weightings of equities (stocks, stock mutual funds, etc.) and fixed income investments (notes, bonds, bond funds, CDs, etc.) in an investor's portfolio. For other clients, the investment portfolio's strategic asset class allocation is customized to meet the specific circumstances of

a client, the presence of investments in 401(k) or other accounts, as well as a perception of the client's understanding of the fundamental forces affecting risk and return in the capital markets.

In addition, a client's initial or revised strategic asset allocation may be influenced by a review of the relative valuation levels of various asset classes and the investment time horizon of that client. While asset class "bubbles" are attempted to be discerned when they occur, tactical asset allocation strategies are not generally employed in connection with the management of client portfolios.

Methods of Analysis and Sources of Information

Our security analysis is based upon a number of factors including those derived from commercially available software technology, securities rating services, general economic and market and financial information, due diligence reviews, and specific investment analyses that clients may request. The main sources of information include commercially available investment information and evaluation services, financial newspapers and journals, academic white papers and periodicals. Prospectuses, statements of additional information, other issuer-prepared information, and data aggregation services (such as Morningstar Advisor) are also utilized. Our advisors also attend various investment and financial planning conferences throughout the year.

Research is also received from education services. Various computer software programs through third parties may also be utilized to better model the historical and/or expected returns of designed portfolios. The historical valuation levels of various asset classes may be utilized to undertake estimates of the probable long-term (15-year) expected returns of various assets classes, as a means of aiding investment and financial planning decision-making.

Types of Investments

Each client typically receives an investment portfolio which consists mainly of no-load stock and bond mutual funds.

Some investment portfolios may also include individual fixed income investments (bonds, CDs, etc.) and/or bond funds (such as from DFA, Charles Schwab, and Vanguard). For clients with a substantial fixed income allocation, NRSmith and Associates, PS generally recommends a combination of specific securities dependent upon NRSmith and Associates, PS views of the risk/return relationship for various forms of fixed income investments or bond funds.

Client portfolios may also include some individual equity securities. Publicly traded real estate investment trusts (REITS) and commodities index or passive mutual funds or exchange-traded funds (ETFs) may be recommended for certain clients who desire to include real estate or commodities in their asset allocation strategy. An exchange-traded fund is an investment fund traded on stock exchanges, much like stocks.

Insurance products such as annuities and various types of life insurance products may also be evaluated. Recommendations may be undertaken to clients to invest in low-cost, no-load (no commission) variable or fixed deferred or immediate annuities when appropriate to the circumstances and tax situation of the client. More often, this occurs when a client possesses an existing high-cost variable annuity, and a rollover of the annuity is indicated rather than redemption for tax planning purposes, in order to seek to lower the total fees and costs paid by the client and/or provide different investment choices. At times clients may be advised to retain an existing annuity, previously purchased by the client, or undertake partial or full surrenders of same (and/or tax-free exchanges), following an evaluation of the annuity

contract, riders thereto, investment alternatives within the annuity and their fees and costs, including any surrender fees which may be imposed by the insurance company.

New clients' existing investments are evaluated in light of the desired investment policy objectives. NRSmith and Associates, PS works with new clients to develop a plan to transition from a client's existing portfolio to the desired portfolio. Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Each client's portfolio holdings and strategic asset allocation are then monitored periodically, taking into account the cash flow needs of the client. Review meetings with clients are held regarding their investment assets under advisement and other personal financial planning issues.

Risk of Loss

Investing in securities involves a risk of loss that clients should be prepared to bear. The investment recommendations seek to limit risk through broad global diversification in equities (through broadly diversified stock mutual funds and/or separate account management programs) and investment in high quality fixed income securities or diversified bond funds.

However, the investment methodology will still subject the client to declines in the value of their portfolios, which can at times be dramatic. We believe there exists a high probability in most market environments of a long-term (15-year or greater) outperformance of small cap and value stocks, relative to large cap and growth stocks, and hence the stock (equities) portion of an investor's portfolio may be slanted toward small cap and value stocks. Accordingly, the normally greater expected returns of the equity portion of the portfolio will in turn often permit the overall allocation to equities (stocks, stock mutual funds) to be reduced, and the allocation to fixed income investments increased. NRSmith and Associates, PS believes this is the best manner to temper the shorter-term volatility of the stock market, especially for clients who derive cash flow from their portfolios (such as clients who are in retirement years).

Given the long-term nature of the expected equity premium (that is, the additional expected return for investing in the overall stock market, relative to less risky U.S. Treasury bills), and the long-term nature of the expected value and small cap effects, NRSmith and Associates, PS investment philosophy is best suited for investors who desire a buy-and-hold strategy for a substantial portion of their funds. NRSmith and Associates, PS stock mutual fund strategies are usually appropriate for clients possessing an investment time horizon of a minimum of ten years and preferably even longer. Even then, investing is inherently uncertain as to future returns. While both macroeconomic and microeconomic risks are evaluated, for purposes of weighing risks and returns and for the computation of the expected returns of various asset classes (for use in financial planning decision making), NRSmith and Associates, PS does not engage in market-timing activities. NRSmith and Associates, PS believes the equity, value and small cap effects are highly likely to occur in the future, over long periods of time. However, there can be no assurance that these effects will occur over any given time period. While NRSmith and Associates, PS seeks to reduce non-compensated risks to which a client may be exposed, other risks (including but not limited to the risk of a general stock market decline) may be assumed in order to seek to attain the client's longer-term financial goals and objectives. However, NRSmith and Associates, PS cannot provide any guarantee that the client's goals and objectives will be achieved.

Risk of Loss, Certain Higher-Risk Securities

Certain securities recommended, such as U.S. small cap value and mid cap value stock mutual funds, U.S. small cap and micro-cap mutual funds, and similar pooled investment vehicles inside variable

annuities, possess higher levels of volatility as individual asset classes within a portfolio. NRSmith and Associates, PS may employ these securities as part of an overall strategic asset allocation for a client, and when such is undertaken NRSmith and Associates, PS possesses a reasonable belief that the risk-return relationship for these securities will likely be beneficial for the investor over the long term.

Cash Balances in Client Accounts

Cash in clients' investment accounts are typically swept into the bank or money market mutual fund accounts of the institutions. NRSmith and Associates, PS discusses with each client, during the time of review conferences and at other times, upcoming cash flow needs and seeks to plan accordingly to meet those needs. While it is not the practice to encourage clients to maintain a large amount of cash in their accounts, such may be undertaken at the request of the client to facilitate billing of NRSmith and Associates, PS periodic fees, or for other reasons. Upon request of a client, cash balances will be maintained for temporary or short-term purposes.

ITEM 9. DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events of their firm or certain management personnel which would be material to your evaluation of NRSmith and Associates, PS or the integrity of NRSmith and Associates, PS management of client's investment portfolio.

NRSmith and Associates, PS possesses no legal or disciplinary events which, in the judgment of NRSmith and Associates, PS' Chief Compliance Officer, Norman R. Smith, is required to be disclosed under the guidelines for such disclosure promulgated by the U.S. Securities and Exchange Commission or by any state securities authority.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

NRSmith and Associates, PS are Certified Public Accountants and Financial Planners. As such, we are members of American Institute of Certified Public Accounts, Washington Society of Certified Public Accountants, Certified Financial Planning Board of Standards, National Association of Personal Financial Advisors, and the Financial Planning Association.

ITEM 11. CODES OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

NRSmith and Associates, PS seeks to avoid material conflicts of interest. Accordingly, neither the firm nor its investment advisor representatives receive any third party direct monetary compensation (such as, commissions, 12b-1 fees, or other fees) from brokerage firms (custodians) or mutual fund companies.

However, some additional services and non-direct monetary or other forms of compensation are offered and provided to NRSmith and Associates, PS as a result of its relationships with Charles Schwab and/or providers of mutual fund products. For example, NRSmith and Associates, PS investment advisors and employees may be invited to attend educational conferences and/or entertainment events sponsored by such brokerage firms or custodians or mutual fund companies. Other services may be provided as outlined below. NRSmith and Associates, PS believes that the services and benefits provided to it by brokerage firms (custodians) and mutual fund providers do not materially affect the investment management recommendations made to clients of NRSmith and Associates, PS. However, in the interest of full disclosure of any potential conflicts of interest, we discuss the possible conflicts herein.

Avoiding Conflicts of Interest

NRSmith and Associates, PS seeks to avoid material conflicts of interest. Accordingly, neither NRSmith and Associates, PS nor its investment advisor representatives receive any third party direct monetary compensation (that is, commissions, 12b-1 fees, or other fees) from brokerage firms (custodians) or mutual fund companies.

Although NRSmith and Associates, PS believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to manage any material conflicts of interest that may remain, clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

Our Code of Ethics

NRSmith and Associates, PS has adopted a Code of Ethics, to which all investment advisor representatives and employees are bound. Our Code of Ethics states:

- **Objectivity**: We strive to be as unbiased as possible in providing advice to clients and practice on a fee-only basis.
- **Confidentiality**: We keep all client data private unless authorization is received from the client to share it. We treat all documents with care and take care when disposing of them. Relations with clients shall be kept private.
- **Competence**: We strive to maintain a high level of knowledge and ability. We not only meet the continuing education requirements set by the National Association of Personal Financial Advisors (NAPFA), but also the State Board of Accountancy. We do not provide advice in areas where we are not capable.
- **Fairness & Suitability**: Dealings and recommendation with clients will always be in the client's best interests. We put the interest of clients first.
- **Integrity & Honesty**: We will endeavor to always take the high road and to be ever mindful of the potential for misunderstanding that can occur in normal human interactions. We will be diligent to keep actions and reactions so far above board that a thinking client, or other professional, would not doubt intentions. In all actions, we are mindful that in addition to serving our clients, we are about the business of building a profession and our actions should reflect this.
- **Regulatory Compliance**: We strive to maintain conformity with legal regulations.
- **Full Disclosure**: We fully describe method of compensation and potential conflicts of interest to clients and also specify the total cost of investments.
- **Professionalism**: We conduct ourselves in a way that would be a credit to NAPFA at all times. NAPFA membership involves integrity, honest treatment of clients, and treating people with respect.

Our Fiduciary Oath

NRSmith and Associates, PS has also taken an oath to exercise our best efforts to act in good faith and in the best interests of the client. As advisors, we shall provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the engagement, of any conflicts of interest, which will or reasonably may compromise the impartiality or independence of the advisor.

NRSmith and Associates, PS does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product, nor do we receive a fee or other compensation from another party based on the referral of a client or the client's business.

NRSmith and Associates, PS will provide a complete copy of the Code of Ethics and Fiduciary Oath to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

NRSmith and Associates, PS does not currently participate in securities in which it has a material financial interest. NRSmith and Associates, PS and its related persons, as a matter of policy, do not recommend to clients, or buy or sell for client accounts, securities in which the firm or its related persons has a material financial interest.

NRSmith and Associates, PS' Code of Ethics provides that individuals associated with our firm may buy or sell securities for their personal accounts identical or different than those recommended to clients. However, it is the expressed policy of our firm that no person employed by the firm shall prefer his or her own interest to that of an advisory client nor make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with the Code of Ethics, our firm requires that anyone associated with this advisory practice and who possesses access to advisory recommendations (before or at the time they are entered into) ("access persons") to provide annual securities holding reports and quarterly transaction reports to NRSmith and Associates, PS' Chief Compliance Officer, Norman R. Smith. We also require access persons to receive advance approval from NRSmith and Associates, PS' Chief Compliance Officer or his designee prior to investing in any initial public offerings or private placements, and with regard to trading of certain individual securities.

The Code of Ethics further includes our firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. We require that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

ITEM 12. BROKERAGE PRACTICES**The Custodian and Brokers We Use**

NRSmith and Associates, PS does not maintain custody of the assets that we manage, although we may be deemed to have custody of client assets if given authority to withdraw assets from client accounts (see Item 15 - Custody, below). Client assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank. We request our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer and member of Securities Investor Protection Corporation (SIPC), as the qualified custodian. NRSmith and Associates, PS is independently owned and operated and not affiliated with Schwab. Schwab holds client assets in a brokerage account and buys/sells securities when instructed. While NRSmith and Associates, PS requests that clients use Schwab as custodian/broker, the

client decides whether to do so and will open their account with Schwab by entering into an account agreement directly with Schwab. NRSmith and Associates, PS does not open the account, although we may assist. If clients do not wish to place their assets with Schwab, then we cannot manage the account. Even though client accounts are maintained at Schwab, we can still use other brokers to execute trades for accounts as described below (see "Client Brokerage and Custody Costs").

How We Select Brokers/Custodians

NRSmith and Associates, PS seeks to use a custodian who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. NRSmith and Associates, PS considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us From Schwab")

Client Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the client's Schwab account. For some accounts, Schwab may charge clients a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab's commission rates and asset-based fees applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits the client because the overall commission rates and asset-based fees clients pay are lower than they would be otherwise. In addition to commissions and asset-based fees, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into client's Schwab account. These fees are in addition to the commissions or other compensation client's pay the executing investment advisor. Because of this, in order to minimize client's trading costs, NRSmith and Associates, PS has Schwab execute most trades for client accounts.

NRSmith and Associates, PS has determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How We Select Brokers/Custodians").

Because our transactions are structured to meet the specific conditions of portfolios under consideration, we do not aggregate purchase or sale of securities. In that we do not execute such transactions, the possible cost consequence is unknown.

Products and Services Available to Us from Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage — trading, custody, reporting and related services — many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help NRSmith and Associates, PS manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. If we were to have less than \$10 million in client assets at Schwab, they may charge us a quarterly service fee.

Here is a more detailed description of Schwab's support services:

Services that Benefit Clients. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which NRSmith and Associates, PS might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

Services that May Not Directly Benefit Clients. Schwab also makes available to NRSmith and Associates, PS other products and services that benefit us but may not directly benefit clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to NRSmith and Associates, PS. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third-party's fees.

NRSmith and Associates, PS utilizes Schwab Portfolio Center which provides benefits to both clients and us. Schwab Portfolio Center allows us to facilitate payments, monitor progress, report on clients' accounts, and complete back-office functions more efficiently. In addition, we are able to effectively track pricing and facilitate trade executions.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits NRSmith and Associates, PS because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend/request/require that clients maintain their accounts with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us.

ITEM 13. REVIEW OF ACCOUNTS

Portfolio reviews and rebalancing of the client's portfolio for the assets held under advisement with NRSmith and Associates, PS will be undertaken: (1) periodically as set forth in the Investment Policy Statement; (2) upon request, and (3) upon a substantial asset class decline under the following adopted policies and procedures.

Periodic portfolio reviews are undertaken by advisors of NRSmith and Associates, PS to ascertain if the values in any asset class have strayed beyond their target minimums or maximums, selected fund management changes, detected selected fund management change in portfolio emphasis, or general economic conditions. If a client needs, including cash flow needs, modification may be required. Even if one or more asset classes fall outside their target minimums or maximums, the advisor may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains realization, minimization of transaction costs, or our view on whether the asset class is undervalued or overvalued relative to historic norms and our view of the level of the macroeconomic risks to which the asset class may be exposed. Such in-house portfolio reviews are subject to additional restrictions set forth below. Clients are only contacted in the event that rebalancing actions are recommended.

Additional portfolio reviews are undertaken upon request by the client, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. NRSmith and Associates, PS will respond to such requests within a reasonable period of time. Only no-load stock and bond and money market mutual funds and exchange-traded funds may be sold or purchased by us in the event of such a portfolio rebalancing. Only funds in such asset classes (or combinations thereof) as may have been approved (in the client's Investment Policy Statement or any amendments thereto, or which are currently approved by NRSmith and Associates, PS advisors) may be purchased by us.

Preference is given to purchase additional shares in those stock mutual funds which the client currently owns, unless for such valid reason as we determine (avoiding wash sale rules, fund closing, etc.) a substitute fund is, in our judgment, more appropriate.

NRSmith and Associates, PS may also undertake sales and purchases during this time to effect tax loss harvesting or required income tax distribution, in addition to rebalancing actions. In undertaking rebalancing actions, NRSmith and Associates, PS will seek to rebalance one or more asset classes closer to the targets. NRSmith and Associates, PS may decline to rebalance a specific asset class, due to tax concerns, high transaction costs relative to the trade amount, or other reasons.

NRSmith and Associates, PS may estimate the market close at any point during the day during which trades are being made, and undertake trades on that basis. Since the stock market is very volatile, especially in the last hour of trading, this may cause us to underestimate or overestimate the amount needed to effect a rebalancing action.

Special Procedures Upon Major Market Change

Upon a substantial decline in the valuation of the stock markets, generally, or a specific stock asset class, an opportunity may be presented for rebalancing of your investment portfolio. In such event, our resources may be limited given the number of relationships with our clients, especially if the downward change in valuation of the asset class occurs suddenly. NRSmith and Associates, PS shall undertake rebalancing actions during this period as follows:

- If the client has provided NRSmith and Associates, PS with "limited discretion" or "rebalancing discretion", the advisor seeks to analyze the client's account during this time. Due to the large number of clients under advisement, priority will be based upon the total amount of assets under advisement, with clients who possess higher assets under advisement given greater priority. There is no assurance that we can undertake rebalancing actions for all of our clients on the day in which rebalancing is indicated; therefore, if we cannot rebalance a client's account on that day, we will seek to rebalance the account by the next business day.
- If the client has not provided NRSmith and Associates, PS with discretion, we will not analyze the client's account on these days. Rather, we will analyze the account only after accounts for which we have discretion have been examined.
- All periodic account reviews, and reviews desired by special request of any client, will be suspended during this process.
- If a client has provided NRSmith and Associates, PS with "rebalancing discretion" or "limited discretion" to trade in his/her account(s), we may undertake sales and purchases in the account(s) without advance notification to the client. Following any exercise of discretion, we shall thereafter (when time permits) seek to notify the client of the trades which have been taken.

Portfolio Reports Provided to Clients

Quarterly written reports from NRSmith and Associates, PS of the client's investment portfolio include a consolidated inventory of the investments upon which advice is provided to the client and a portfolio rebalancing analysis. Such reports may also include a performance report of the client's portfolio. In addition, in January or February of each calendar year, the client may be provided with a realized gains and loss report for any taxable accounts which are under advisement to aid us in the preparation of their income tax return.

Online access to account information, utilizing a combination of secure online account aggregation and online data reporting services to provide updated account values as of the preceding business day for assets held at the custodian (Schwab) is utilized by NRSmith and Associates, PS.

NRSmith and Associates, PS may also offer periodic data for other investment accounts upon which we provide advice, not held at the foregoing custodians, if such information can be obtained from our account aggregation services, and provided the client's consent is obtained to furnish such account aggregation service with any account passwords required to access account information.

While we are hopeful that the information supplied by custodian and data aggregation services is reliable, we cannot guarantee its accuracy.

Clients may also directly access account information at the custodian with which the accounts are held online (specifically, Schwab), each and every business day, via the secure web sites of the respective institutions.

Monthly or quarterly statements directly from account custodians are sent to the client directly from the corresponding brokers, banks, mutual funds, partnership sponsors, and/or insurance companies which hold the client's investments. These statements reflect the assets in the custodian's custody, together with confirmations of each transaction executed in the account(s) if desired by the client. For some custodians, the client may elect to receive these statements by e-mail rather than U.S. mail.

Clients are strongly encouraged to review the monthly or quarterly statements they receive from custodians. Despite the best efforts of any firm to safeguard client's assets, fraud could still occur. While we hope that our clients trust our firm and advisors, and we have never had an instance of theft of client funds, we believe it is nevertheless important for clients to verify their investment holdings.

We also encourage clients to timely compare the account statements received from us with those received directly from Schwab. Should the client detect any unauthorized trading in an account, or unauthorized transfers of cash or securities, the client is asked to immediately contact Norman R. Smith, Chief Compliance Officer, (360) 754-9475. Please note that we have never had any unauthorized withdrawals or transfers from our clients' accounts. Client assistance in reviewing monthly and/or quarterly account statements aids us in deterring any such activity in the future.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

NRSmith and Associates, PS does not accept compensation from any person for client referrals. Referrals to other professionals may be undertaken where appropriate to meet the client's needs. These situations are discussed below:

- While NRSmith and Associates, PS provides tax return projections and preparation, these services are billed directly to the client, and the client is charged directly for the tax preparation service under separate client agreement with that person or firm.
- Referrals to attorneys for legal advice and document preparation may be undertaken for preparation of any recommended estate planning documents, the implementation of various strategies relating to asset protection planning, legal document preparation relating to transactions involving closely held businesses and/or professional firms, and/or other similar services. NRSmith and Associates, PS is not a law firm and does not provide legal services.

ITEM 15. CUSTODY

It is our policy to not accept custody of a client's securities. That is, we are not granted access to our clients which would enable us to withdraw or transfer or otherwise move funds or cash from any client account to our accounts or the account of any third party (other than for purposes of fee deductions, as explained below). This is for the safety of our clients' assets.

However, with a client's consent, NRSmith and Associates, PS may be provided with the authority to seek deduction of NRSmith and Associates, PS' fees from their accounts. This process generally is more efficient for both the client and the investment advisor, and there may be tax benefits for the client to this method when fees can be paid from certain tax-deferred accounts of clients.

All NRSmith and Associates, PS clients receive account statements directly from qualified custodians, such as a bank or broker-dealer that maintains those assets. Clients are urged to carefully review these account statements, and compare them to the quarterly or other reports that we make available to them. All clients are urged to compare statements order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and contact us with any questions.

ITEM 16. INVESTMENT DISCRETION

NRSmith and Associates, PS accepts limited forms of discretion over clients' accounts with the consent of the client. Each client's grant of discretion is evidenced in the client services agreement signed by the client, and is further evidenced to the custodian through a limited power of attorney contained in the account establishment form signed by the client or a separate limited power of attorney document signed by the client. Nearly all clients appoint NRSmith and Associates, PS as the client's agent and attorney-in-fact with respect to undertaking trades in client accounts; NRSmith and Associates, PS' ability to enter trades electronically for clients often provides reduced transaction fees and other benefits to the client.

NRSmith and Associates, PS prefers to contact clients in advance of trades, but the limited forms of discretion set forth below are believed by us to better enable our firm to serve our clients. Moreover, NRSmith and Associates, PS seeks to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to economically efficient.

Rebalancing occurs in the event of a major asset class valuation decline occurs uniformly for all clients. Within a reasonable period of time following the exercise of discretion by our advisors to undertake such sales and purchases for rebalancing purposes, an advisor will attempt to contact the client to discuss any trades which have taken place. NRSmith and Associates, PS has not experienced the need for this type of discretion to be exercised for some clients (for example, during high volatility in the stock market during the Fall of 2008); however, it has the ability to act responsibly when or if that time arises.

Limited Discretion to Rebalance in Accordance with Investment Policy for Some Client Accounts

With client consent, NRSmith and Associates, PS will accept from clients discretion to deploy cash additions (or cash arising from the redemption of maturity of securities) in a client's portfolio in accordance with the client's investment policy statement. In addition, NRSmith and Associates, PS will accept from such clients the discretion to rebalance the client's portfolio back closer to its desired targets.

Clients typically grant such authority to NRSmith and Associates, PS for rebalancing purposes when the client's business affairs or travels are such that the client is likely to be unavailable to NRSmith and Associates, PS to confer, prior to entering any recommended trade(s).

ITEM 17. VOTING CLIENT SECURITIES

NRSmith and Associates, PS will not vote proxies and will not be required to take action and/or render any advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which assets in client accounts may be invested from time to time. In addition, NRSmith and Associates, PS will not take any action or render any advice with respect to any securities held in client accounts, which are named in or subject to class action lawsuits. NRSmith and Associates will, however, forward any information received regarding class action legal matters involving any security held in client accounts.

ITEM 18. FINANCIAL INFORMATION

NRSmith and Associates, PS does not generally require the prepayment of fees per client six months or more in advance.

NRSmith and Associates, PS has never been the subject of a bankruptcy proceeding.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

The information required to be disclosed as State registered advisers is disclosed within the attached ADV Part 2B.

ITEM 1. COVER PAGE - BROCHURE SUPPLEMENT – REVISED – FEBRUARY 28, 2020**Norman R. Smith, CPA, CFP – Chief Compliance Officer**

This Brochure Supplement provides information about the investment advisor representatives for NRSmith and Associates, PS -- Norman R. Smith, Stacie R. Nemetz, Caroline O'Neill, and Ralph Latza -- that supplements NRSmith and Associates, PS' Firm Brochure. Given the size of our firm, the Firm Brochure and this Brochure Supplement are together. Please contact NRSmith and Associates, PS if you did not receive the Firm Brochure and Supplement, or if you have any questions about the contents of this Supplement.

Primary Contact: Norman R. Smith, CPA, CFP
President, Chief Compliance Officer
NRSmith and Associates, PS
2120 Caton Way SW
Olympia, WA 98502-1106
Phone: (360) 754-9475 Fax: (360) 786-8174
Email: nsmith@nrsmith.com

ITEM 2. NORMAN R. SMITH, CPA/CFP – PRESIDENT, EDUCATION AND BACKGROUND

Norman R. Smith (CRD#1293983) was born 1945. He began his professional career with Coopers & Lybrand (now known as Pricewaterhouse Coopers) where he spent one year as a staff accountant. He advanced to supervisor with Peterson, Sullivan & Company, CPAs. After five years of growing responsibility, he moved from Seattle to the South Puget Sound area for the CPA firm of Frost, Pearson & Woody from 1974 to 1976. As a resident manager, he acquired the Shelton practice from Frost, Pearson & Woody in 1976 and has since owned and operated since inception in the Olympia area as NRSmith and Associates, PS.

Professional Credentials and Memberships:

Washington Board of Accountancy – Certified Public Accountant (attained by successfully passing the required examinations)

Certified Financial Planner Board of Standards, Inc. – Certified Financial Planner™ (attained by successfully passing the required examination)

Member of National Association of Personal Financial Advisors (NAPFA)

Financial Planning Association (FPA)

American Institute of Certified Public Accountants – Personal Financial Planning Section

Washington Society of Certified Public Accountants

Education:

College for Financial Planning, Denver, CO - Certified Financial Planner – 1989

Golden Gate University, Seattle, WA - Master of Business Administration in Taxation - 1981

University of Puget Sound, Tacoma, WA - Bachelor of Arts in Business Admin. – 1969

Norman R. Smith obtained his certification and license as a Certified Public Accountant in 1971, after meeting the educational and experience requirements and passing the Uniform CPA Examination in Washington State. He has served on the Personal Financial Planning Committee of the Washington Society of Certified Public Accountants since 1989, was chair for the 1995-97 years, and 2015. He became a Personal Financial Specialist in 1996. He became an Associate Member of the Association of Certified Fraud Examiners in 2000. In 2000, he was admitted membership in the National Association of Personal Financial Planners (NAPFA). He became an Accredited Asset Management Specialist, College for Financial Planning, in November 2003. Norman has conducted numerous technical training sessions, including sessions sponsored by Washington Society of Certified Public Accountants.

A Certified Public Accountant in Washington State is an individual who has met the education, experience, examination, and ethics requirements established by the Washington State Board of Accountancy and the American Institute of Certified Public Accountants. They are certified to provide a broad range of financial advisory and external accounting services for their clients such as assurance (audit), tax compliance and advisory, and estate planning. To maintain his Certified Public Accountant (CPA) license Norman is required to complete 120 hours of continuing professional education (CPE) every three years.

A Certified Financial Planner™ is an individual who has met the education, examination, experience, and ethics standards established by the Certified Financial Planners Board of Standards (CFP Board). A CFP® is uniquely qualified to assist clients in designing financial plans to achieve the individual's financial goals such as overcoming short-term financial problems or mapping out long-term retirement goals. To maintain his Certified Financial Planner™ designation Norman is required to complete 60 hours of CPE every two years.

Norman spends approximately 95% of his time in investment management for NRSmith and Associates, PS. He is NRSmith and Associates, PS' Chief Compliance Officer.

ITEM 3. DISCIPLINARY INFORMATION

Norman R. Smith possesses no disciplinary history required to be disclosed by the U.S Securities and Exchange Commission or the Washington State Department of Financial Institutions.

ITEM 4. OTHER BUSINESS ACTIVITIES

Norman R. Smith does not engage in other activities for which he is compensated for his participation as an advisor.

ITEM 5. ADDITIONAL COMPENSATION

Norman R. Smith does not receive additional compensation or financial incentives for providing advisory services. Incentive compensation is provided dependent upon hours of employment and completed engagement agreements.

ITEM 6. SUPERVISION

Norman R. Smith is the Chief Compliance Officer, and thus is responsible providing supervision of firm investment advisors.

ITEM 2. STACIE R. NEMETZ, EDUCATION BACKGROUND AND BUSINESS EXPERIENCE

Stacie R. Nemetz (CRD# 4796055) was born in 1971 in Edmonds, Washington, raised in Olympia, Washington, and graduated from high school at Charles Wright Academy, Tacoma, Washington in 1989. After graduating from Loyola Marymount University with a Bachelor of Science in Accounting in 1993, she began her professional career at Trust Company of the West in the emerging markets fixed income and trading team. Ms. Nemetz spent three years at Western Asset Management's client service team. She was then employed by Oaktree Capital Management, LLP for 13 years rising to the position as Vice-President on Oaktree's Client Relations team. She joined NRSmith and Associates, PS in January 2018.

Professional Licenses:

Certified Financial Planner™, Certified Financial Planner Board of Standards, Inc. (attained by successfully passing the required examination), 2019

Accredited Investment Fiduciary® (AIF®), Fi360, (attained by successfully passing the required prerequisites), 2018

Education:

University of California, Los Angeles – Post Graduate Certificate in Financial Planning, 2019

Loyola Marymount University – Bachelor of Science in Accounting, 1993

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The AIF® Designation is a professional certification that demonstrates an advisor serving as an investment fiduciary has met certain requirements to earn and maintain the credential. The purpose of the AIF® Designation is to assure that those responsible for managing or advising on investor assets have a fundamental understanding of the principles of fiduciary duty, the standards of conduct for acting as a fiduciary, and a process for carrying out fiduciary responsibility. To maintain her AIF® Designation, Stacie is required to complete 6 hours of continuing education each year.

Ms. Nemetz spends 100% of her time in whole life financial planning, including investment management.

ITEM 3. DISCIPLINARY INFORMATION

Stacie R. Nemetz possesses no disciplinary history required to be disclosed by the U.S. Securities and Exchange Commission or the Washington State Department of Financial Institutions.

ITEM 4. OTHER BUSINESS ACTIVITIES

Stacie R. Nemetz does not engage in other activities for which he is compensated for his participation as an advisor.

ITEM 5. ADDITIONAL COMPENSATION

Stacie R. Nemetz does not receive additional compensation or financial incentives for providing advisory services. Incentive compensation is provided dependent upon hours of employment and completed engagement agreements.

ITEM 6. SUPERVISION

Stacie R. Nemetz reports to the President and Chief Compliance Officer, Norman R. Smith, of NRSmith and Associates, PS.

ITEM 2. CAROLINE O'NEILL - EDUCATION BACKGROUND AND BUSINESS EXPERIENCE

Caroline O'Neill (FPQP™) Financial Paraplanner Qualified Professional was born in Lausanne, Switzerland in 1969. Her professional experience prior to joining NRSmith and Associates includes practicing for the past nine years as a Financial Paraplanner with CK Financial Services in Lakewood, WA, by assisting a Certified Financial Advisor in creating tailored financial plans. Prior to working for CK Financial Services, her experience as a business owner included financial management, daily business operations, employee management and marketing. She joined NRSmith and Associates, PS in September 2019.

Professional Credentials and Memberships:

FPQP, Financial Paraplanner Qualified Professional 2018

Education:

University of Bern, Switzerland: School of Veterinarian Medicine, 1989
Gymnase Cantonal de la Cite: Baccalaureat in Modern Languages
(English, German and Italian), 1988

Ms. O'Neill spends 100% of her time as a paraplanner providing whole life financial planning and investment management support to the NRSmith and Associates, PS team.

ITEM 3. DISCIPLINARY INFORMATION

Caroline O'Neill possesses no disciplinary history required to be disclosed by the U.S. Securities and Exchange Commission or the Washington State Department of Financial Institutions.

ITEM 4. OTHER BUSINESS ACTIVITIES

Caroline O'Neill does not engage in other activities for which she is compensated for her participation as an advisor.

ITEM 5. ADDITIONAL COMPENSATION

Caroline O'Neill does not receive additional compensation or financial incentives for providing advisory services. Incentive compensation is provided dependent upon hours of employment and completed engagement agreements.

ITEM 6. SUPERVISION

Caroline O'Neill reports to the President and Chief Compliance Officer, Norman R. Smith, of NRSmith and Associates, PS.

ITEM 2. RALPH LATZA, JD, LL.M., CPCC, CFP® – EDUCATION BACKGROUND AND BUSINESS EXPERIENCE

Ralph Latza (CRD#4060763) was born in 1962. He graduated from Stanford University in 1984 with a Bachelor of Arts in Political Science and then went on to get his Juris Doctor degree from the University of Minnesota Law School in 1989. After graduation, he became a California Bar Certified and Licensed Attorney. His legal background includes criminal, civil, and taxation. In 2004, he received his LL.M. in taxation from the Golden Gate University Law School, and a year later merited the designation of being a Certified Financial Planner™. He worked at Morgan Stanley and Merrill Lynch as a Financial Advisor before opening his Registered Investment Advisory firm in 2008. He joined Private Ocean in San Rafael, California from February 2010-2013 as a Financial Advisor. He joined LifeStream Financial, Inc., in Santa Clara, CA from February 2013-2016, in a similar capacity. LifeStream Financial, Inc. was sold to BlueSky Wealth Advisors in 2015, whereupon he helped with transition purposes until February 2016. He relocated to Washington State, and joined NRSmith and Associates, PS in February 2020.

Professional Credentials and Memberships:

Certified Financial Planner Board of Standards, Inc., -- Certified Financial Planner™ (attained by successfully passing the required examination)
 Member, State Bar of California (Active)
 Financial Planning Association (FPA) (Former Member)

Education:

Certified Professional Co-Active Coach (CPCC) - 2011
 Golden Gate University, LL.M. in Taxation - 2004
 University of Minnesota, Juris Doctor - 1989
 Stanford University, Bachelor of Arts in Political Science - 1984

Certified Financial Planner™ is an individual who has met the education, examination, experience, and ethics standards established by the Certified Financial Planners Board of Standards (CFP Board). A CFP® is uniquely qualified to assist clients in designing financial plans to achieve the individual's financial goals such as overcoming short-term financial problems or mapping out long-term retirement goals. To maintain his Certified Financial Planner™ designation, Ralph is required to complete 60 hours of CPE every two years.

Co-Active Professional Certified Coach (CPCC). Co-Active Coaching is an experience of personal and professional development unlike other kinds of coaching. Based on the Co-Active Model, it begins by holding the person coached as naturally creative, resourceful, and whole. The method features powerful questions, listening, and empowering of others to elicit the skills and creativity the person already possesses, rather than through instruction or advisement. The CPCC designation, as administered as part of the former Coaches Training Institute (now, Co-Active Training Institute), is accredited by the International Coach Federation (ICF) and is licensed by the California Bureau of Private and Post-secondary Education (BPPE). Requirements for designation include:

- Completion of five Co-Active Coaching core courses
- Completion of six-month certification program
- Passage of written and oral certification examinations

Juris Doctor (JD), Licensing in the State of California. The requirement to practice law in California is summarized below:

- A minimum of two years of approved college work or its equivalent by passage of designated exam;
- J.D. degree from a law school accredited by the State Bar of California or approved by the American Bar Association (A.B.A.), or four-years of study at a registered, approved program;
- Background check and receive a positive moral character determination; and
- Passage of examinations which include:
 - ✓ Passage or exemption from the First-Year Law Students' Examination (required for students attending law school in California only),
 - ✓ Passage of Multistate Professional Responsibility Examination (MPRE) administered by the National Conference of Bar Examiners, and
 - ✓ Passage of the California Bar Examination.

Minimum Continuing Legal Education (MCLE) of 25 hours of approved credit are required every three years.

LL.M. (LLM) in Taxation: LLM is derived from Legum Magister, which means Master of Laws in Latin. The LLM is an advanced academic degree in law (as opposed to a professional degree in law, such as the Juris Doctor, or JD). Because the LLM is a graduate degree, one must first obtain a degree in law as a prerequisite for the LLM. The Juris Doctor is the basic law degree necessary to practice law in the U.S. Typically, the LLM is a one-year course of full-time study or two-years of part-time study. It can range from 22-28 or more credit hours.

Mr. Latza spends approximately 95% of his time in whole life financial planning and investment management for NRSmith and Associates, PS.

ITEM 3. DISCIPLINARY INFORMATION

Ralph Latza possesses no disciplinary history required to be disclosed by the U.S Securities and Exchange Commission or the Washington State Department of Financial Institutions.

ITEM 4. OTHER BUSINESS ACTIVITIES

Ralph Latza does not engage in other activities for which he is compensated for his participation as an advisor.

ITEM 5. ADDITIONAL COMPENSATION

Ralph Latza does not receive additional compensation or financial incentives for providing advisory services. Incentive compensation is provided dependent upon hours of employment and completed engagement agreements.

ITEM 6. SUPERVISION

Ralph Latza reports to the President and Chief Compliance Officer, Norman R. Smith, of NRSmith and Associates, PS.

Privacy Policy

This notice will advise you as to how we handle nonpublic, personal information used to provide professional services in **Smith & Associates**, our certified public accounting practice, and **NRS**Smith and Associates, **PS**, our financial planning practice. This Privacy Policy applies both firms.

Protecting Your Personal Information

1. Neither firm sells client information or provide such information to other organizations or businesses for marketing or any other purpose. Since we do not sell or market the information, you do not need to contact us in order to opt out of a consumer-marketing plan.
2. Each firm limits the collection and use of client information to that needed to complete our service to you (e.g., auditing, accounting, taxation, personal financial planning, and general consulting services) as required by law.
3. Each has physical, electronic and procedural safeguards in place to maintain the protection of private information.

Sources and Types of Information

We receive information from you (such as name, address, Social Security number, wages, other income and sources of revenue, expenses, assets owned, etc.) when you first become a client or on an updating basis. Other sources may supply information such as your attorney, designated family member, or other people you have authorized to provide such information. Once you become a client, your interactions and transactions with us may also generate information such as payment history from invoices rendered or income/loss from assets bought/sold.

Use and Disclosure of Information

We use your personal information to service your account. As permitted by law, the information arising from transactions with us may be disclosed only to legally assigned agents (i.e., the vendor providing us with tax compliance software), or other nonaffiliated third party as designated by you; however, this is done with your knowledge and permission only. These nonaffiliated third parties must agree to protect the confidentiality of the information we are providing. This must be authorized by you in advance.

Future Notices

We will reaffirm this Privacy Policy with you annually in writing. While this policy may change as our businesses grow and develop, you can review our Privacy Policy at any time on our website by going to the *About* tab and selecting *Firm Information* at <http://www.nrsmith.com>.

Retention Policy for Client Records

(Paper or Electronic)

Retention
Period in Years

Correspondence Files

7

Published Reports

Auditors' reports, audit or review financial statements, opinion and disclaimer	7
Compiled or reviewed monthly, quarterly or annual financial statements	7
Reports filed with government agencies	7
Agreed-upon procedures, special reports (fire losses, special investigations, etc.) from date of final disposition, as deemed appropriate by us	7
Systems reports	7
Drafts of reports	0

Tax Files

Tax returns prepared by our firm; taxpayer retains original supporting documentation	7
Tax surveys, research reports, agents' examinations, and other special tax reports from date of final disposition	7
Special tax assignments, tax elections, inventory methods (includes IRS examination documents, Cost Segmentation Studies, etc.), basis information	Permanently

Workpaper Files

Audited, reviewed, and year-end financial statements	7
Compiled monthly and quarterly financial statements	7
W-2's, Forms 1099, business/payroll tax reports, and personal property tax affidavits prepared by us	7

Personal Financial Planning (PFP) Files

Investment management binders: Account applications, Letter of Agreement, Investment Policy Statement, bound recommendations, investment analysis and recommendations, orders, transactions, confirmations, basis and rate of return information, Quarterly Reports, investment statements, management fee invoices, and correspondence	Permanently
Investment management binders for former clients from date of final service	7
PFP project correspondence, final reports and recommendations	7

General

Invoices to clients	7
Work-in-Progress, automatically purged upon final billing	0
E-mails – Messages containing no substantive information that are sent only to provide attachments are purged immediately and the documents incorporated in respective client file. However, E-mails with substantive information are saved electronically in the client's respective file and retained as indicated above.	0
Portal – Clients use our website Portal as a convenience to transmit documents that will be incorporated in their respective file. It is considered a temporary storage location; therefore, former clients will have their Portal account closed. Closure notification will only occur if files are still stored in the Portal.	0

¹ The above schedule applies to current and former clients, unless indicated otherwise.

² Whenever records are relevant to a pending lawsuit or charge of discrimination, they must be retained until final disposition of the lawsuit or charge, in accordance with Washington State statute.